

Message Text

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ACTION EA-13

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FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 9180

INFO AMEMBASSY BANGKOK

AMEMBASSY CANBERRA

AMEMBASSY KUALA LUMPUR

AMEMBASSY MANILA

AMEMBASSY SINGAPORE

AMEMBASSY TOKYO

AMCONSUL MEDAN

AMCONSUL SURABAYA

CINCPAC

AMEMBASSY PHNOM PENH

AMEMBASSY RANGOON

AMEMBASSY SAIGON

AMEMBASSY SEOUL

AMEMBASSY WELLINGTON

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LIMDIS

FROM AMBASSADORS GALBRAITH, LYDMAN AND CRONK

E.O. 11652: GDS

TAGS: PFOR,PDEV,MCAP,BGEN,ASEAN,ID,MY,SN

SUBJECT: OUR VIEW OF DEVELOPMENTS IN MALAYSIA, SINGAPORE AND
INDONESIA

1. FOLLOWING MESSAGE SUMMARIZES CONCLUSIONS REACHED
DURING OUR JOINT DISCUSSIONS HERE OCTOBER 12-15, 1973.

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2. SINCE OUR LAST MEETING IN OCTOBER 1972, WE PERCEIVE

A STRENGTHENING OF OUR THREE COUNTRIES, POLITICALLY AS WELL AS ECONOMICALLY. THEY HAVE INCREASED THEIR CONSULTATIONS IN ASEAN, AS WELL AS IN OTHER REGIONAL ORGANIZATIONS. RELATIONS BETWEEN SINGAPORE AND INDONESIA SEEM TO HAVE IMPROVED, FOLLOWING LEE KUAN YEW'S SUCCESSFUL VISIT TO INDONESIA IN JUNE. MALAYSIA'S RELATIONS WITH INDONESIA HAVE BEEN CLOSELY KNIT ON ALL LEVELS OF OFFICIAL AND PRIVATE CONTACT. RELATIONS BETWEEN MALAYSIA AND SINGAPORE HAVE NOT WARMED IN ANY APPRECIABLE SENSE, BUT THERE IS A HOPE THAT THE SEVERING OF THE INTIMATE TIES THAT IN THE PAST BOUND THEM TOGETHER WILL ULTIMATELY RESULT IN A NORMAL STATE-TO-STATE RELATIONSHIP. DESPITE THEIR GEOGRAPHICAL AND -- IN THE CASE OF MALAYSIA AND SINGAPORE -- HISTORICAL TIES, THE INDIVIDUAL CHARACTERS OF THE COUNTRIES SEEM TO HAVE BECOME MORE PRONOUNCED IN THE LAST FEW YEARS, AS THEY HAVE DEVELOPED NEW STRENGTH AND CONFIDENCE. THESE DIFFERENCES WILL AFFECT THE CHARACTER OF THEIR RELATIONS IN THE FUTURE, BUT THERE IS STILL A BASIS FOR CONTINUED AND GROWING COOPERATION BETWEEN AND AMONG THEM IN MANY AREAS.

3. IN THE MILITARY AREA, THERE IS EFFECTIVE COOPERATION BETWEEN MALAYSIA AND INDONESIA. MALAYSIAN-SINGAPORE COOPERATION, HOWEVER, IS NOW PRO-FORMA, AND IS THREATENED BY THE WITHERING OF THE FIVE POWER ARRANGEMENTS AND SINGAPORE'S PLANS FOR A MAJOR NEW ARMS PROGRAM. THESE PLANS, WHICH MAY INCLUDE SUBSTANTIAL PURCHASES OF F-4 JETS AND M-48 TANKS, LACK A STRONG DEFENSE RATIONALE, AND COULD CREATE TENSIONS WITH MALAYSIA AND PROVOKE A SIMILAR EXAGGERATED BUILD-UP THERE. IN TIME, EXCESSIVE ARMS ACQUISITION COULD ALSO DO DAMAGE TO SINGAPORE'S RELATIONS WITH INDONESIA. TO DISCOURAGE THIS TREND TOWARD COMPETING AND UNBALANCED DEFENSE SYSTEMS, THE U.S. SHOULD MAKE A PERSISTENT THROUGH LOW-KEYED, CAREFULLY MUTED EFFORT TO ENCOURAGE COOPERATION IN DEFENSE PLANNING AND WEAPONS PROCUREMENT IN THE THREE COUNTRIES. U.S. CONSULTATIONS WITH THE THREE GOVERNMENTS IN DEFENSE MATTERS AND PERHAPS FACILITIES FOR CONCESSIONAL PURCHASES OF U.S. ARMS SHOULD BE CONSIDERED IN FURTHERING THE OBJECTIVE OF INDUCING REGIONAL COOPERATION IN SECURITY AFFAIRS.

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4. ASEAN PROVIDES A FORUM FOR INFORMAL CONSULTATIONS ON GLOBAL AS WELL AS REGIONAL ECONOMIC AND POLITICAL ISSUES AND COMMON POSITIONS HAVE BEEN ACHIEVED ON SUCH ISSUES AS CAMBODIA AND THE NON-ALIGNED CONFERENCE, GATT AND MTN, AND TRADE RELATIONS WITH THE EEC. HOWEVER, ASEAN HAS NOT YET DEVELOPED TO A POINT WHERE IT CAN EFFECTIVELY DEAL WITH SOME OF THE MORE DIFFICULT INTRA-REGIONAL PROBLEMS SUCH

AS THE MOSLEM REBELLION IN THE SOUTHERN PHILIPPINES AND THE SABAH ISSUE AND RECOGNITION OF THE PRC.

5. THERE IS A TREND OF GROWING POLITICAL NATIONALISM IN THE AREA, AND WE RECOGNIZE THAT AS THESE COUNTRIES DEVELOP NATIONAL STRENGTH, THEY WILL BECOME INCREASINGLY RESISTANT TO BIG POWER PRESSURES. WHILE THE SOUTHEAST ASIAN ZONE OF PEACE AND NEUTRALITY, TO WHICH THEY HAVE ALL SUBSCRIBED IN PRINCIPLE, IS NOT LIKELY TO BE REALIZED IN THE FRAMEWORK OF 5 TO 10 YEARS, THEY WILL CONTINUE TO RESIST POLITICAL STRATEGIES IMPLYING THE PERMANENT PRESENCE OF FOREIGN MILITARY FORCES IN SOUTHEAST ASIA AND SUPER POWER UNDERTAKINGS THAT APPEAR TO IGNORE THE INTERESTS OF SMALLER POWERS IN THE REGION. IT MIGHT HELP TO AVOID IRRITATION ON THESE ISSUES IF WE COULD STRESS, IN UNAMBIGUOUS TERMS, THE CONFLUENCE OF OUR ULTIMATE OBJECTIVES WITH THEIR OWN AND TO BRING MORE CONSISTENTLY INTO PLAY A FRANK DIALOGUE WITH THEM ON ALL OF OUR MOVES AFFECTING THE REGION.

6. AREAS OF POSSIBLE CONFLICT IN OUR RELATIONS, PARTICULARLY WITH INDONESIA AND MALAYSIA, REMAIN IN CONNECTION WITH LAW OF THE SEA AND STOCKPILE DISPOSALS. IN BOTH AREAS AND IN OTHERS U.S. INTERESTS MAY BE DIFFICULT TO RECONCILE WITH THE VIEW OF SOUTHEAST ASIAN COUNTRIES. IN MANAGING THESE AREAS OF POTENTIAL CONFLICT WE WILL BEST ADVANCE OUR OWN INTERESTS BY A WILLINGNESS TO NEGOTIATE ON A QUID PRO QUO BASIS. TO THIS END WE SHOULD SEEK TO RECOGNIZE AND EVEN PROMOTE INTERDEPENDENCE. THIS WILL INVOLVE A RECOGNITION BY US OF THE IMPORTANCE OF THESE COUNTRIES AS POTENTIAL MARKETS FOR U.S. INDUSTRIAL AND AGRICULTURAL PRODUCTS AND AS SUPPLIERS OF OIL AND GAS, MINERALS, TIMBER, RUBBER AND OTHER RAW MATERIALS IN GROWING

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WORLD DEMAND. THIS WILL ALSO INVOLVE A READINESS BY OURSELVES TO RESPOND TO THEIR NEEDS FOR FOOD, CREDIT AND OTHER FORMS OF ASSISTANCE. IT WILL INVOLVE A RECOGNITION BY THEM THAT WE ARE A RELIABLE SOURCE OF SUPPORT FOR THEIR DEVELOPMENT.

7. THERE ARE ALSO UNDERCURRENTS OF NEGATIVE ECONOMIC NATIONALISM, PARTLY AS A RESULT OF THE SUBSTANTIAL PRESENCE OF U.S. AND OTHER FOREIGN INVESTORS IN THE THREE COUNTRIES AND THE INEVITABLE CONTRASTS BETWEEN SUCCESSFUL FOREIGN AND UNSUCCESSFUL DOMESTIC ENTREPRENEURS. THIS TREND IS MOST PRONOUNCED IN INDONESIA, BUT IS ALSO A LATENT DANGER IN MALAYSIA AND SINGAPORE. THE ROLE OF THE PRIVATE SECTOR IS INCREASINGLY RECOGNIZED IN THE REGION AS ONE OF THE PRINCIPAL FORCES FOR DEVELOPMENT BUT THIS

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RECOGNITION IS STILL RELATIVELY NEW AND TENTATIVE AND NEEDS CONTINUALLY TO BE REINFORCED. WE SENSE THAT THE FOREIGN BUSINESS COMMUNITY IS ONLY PARTIALLY ALERT TO THE PROBLEM WHICH FACE THEM AND RE SHORT ON INSPIRATION, IMAGINATION AND INNOVATION IN THEIR RELATIONS WITH LOCAL PUBLIC AND GOVERNMENT. TO ENHANCE AND ENSURE THE ENVIRONMENT FOR U.S. INVESTMENT IN THIS REGION, THE USG AND THE AMERICAN BUSINESS COMMUNITY TOGETHER MUST FIND WAYS OF COUNTERING AND OVERCOMING THE NEGATIVE FORCES. THEY MUST CONVINCE GOVERNMENTS,

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CITIZENS AND LOCAL BUSINESSMEN THAT PRIVATE FOREIGN INVESTMENT IS INTERESTED IN THEIR DEVELOPMENT, COMPATIBLE WITH THEIR INTERESTS AND MUTUALLY BENEFICIAL. OUR EMBASSIES IN THE THREE COUNTRIES HAVE MADE GOOD PROGRESS IN MOBILIZING THE RESOURCES AT OUR DISPOSAL TO ASSIST U.S. INVESTORS AND TO MAKE THEM AWARE OF THEIR ROLE IN THE COMMUNITY. BUT THERE IS A NEED FOR MUCH GREATER ATTENTION BY BOTH THE USG AND BUSINESS COMMUNITIES TO ESTABLISHING CONCEPTS AND GUIDELINES FOR THE MANAGEMENT OF THE U.S. BUSINESS PRESENCE. SUCH GUIDELINES SHOULD INCLUDE NOT ONLY GREATER ATTENTION TO PUBLIC RELATIONS AND SENSITIVITY TO LOCAL PRACTICES, BUT SPECIFIC PROGRAMS OF ASSISTANCE TO DEVELOPMENT. FOR EXAMPLE, USE OF THE GREAT EXPERTISE OF U.S. COMPANIES FOR ADVISORY PURPOSES, AND OF THEIR RESOURCES FOR TRAINING ARE BUT TWO AREAS CONTRIBUTIONS COULD BE MADE. A SHIFT OF EMPHASIS BY U.S. BUSINESS ORGANIZATIONS (CHAMBERS OF COMMERCE AND OTHERS) FROM AN ADVERSARY RELATIONSHIP WITH THE HOST

GOVERNMENTS TO A MORE POSITIVE, CONTRIBUTORY ROLE IS ALSO MUCH NEEDED. TO PROVIDE A FULLER AND MORE INSPIRED CONCEPTUAL BASE FOR IMPROVING RELATIONSHIPS BETWEEN U.S. BUSINESS ABROAD AND LOCAL COMMUNITIES AND GOVERNMENTS, THERE IS A NEED FOR MUCH MORE FREQUENT HIGH LEVEL CONSULTATION BETWEEN U.S. BUSINESS LEADERS AND WASHINGTON AGENCIES. CONSIDERATION SHOULD ALSO BE GIVEN TO THE ESTABLISHMENT OF A PRESTIGIOUS NEW PRIVATE INSTITUTION, SUCH AS THE COUNCIL OF FOREIGN RELATIONS, WHICH WOULD STUDY THE PROBLEM OF AND ARTICULATE SUGGESTIONS FOR THAG IMPROVEMENT OF RELATIONS BETWEEN U.S. BUSINESS COMMUNITIES AND THE LOCAL PUBLIC AND GOVERNMENT.

8. IN VIEW OF WELL-PUBLICIZED GROWING SHORTAGES OF ENERGY AND OTHER NATURAL RESOURCES, THE GOVERNMENTS WILL BECOME MORE INSISTENT ON RECEIVING WHAT THEY REGARD AS A FAIR QUID PRO QUO FROM THE U.S. AND OTHER DEVELOPED NATIONS IN RETURN FOR CONTINUED ACCESS TO THEIR RESOURCES. FOR EXAMPLE, INDONESIA IS SEEKING WAYS TO USE ITS RICH OIL, LNG AND OTHER MINERAL RESOURCES TO ENSURE EXPANDED DEVELOPMENT AID FROM THE U.S., JAPAN AND OTHER COUNTRIES. U.S. ACCESS TO INDONESIA' RESOURCES IN THE FUTURE WILL

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BE RELATED TO THE ASSISTANCE WE ARE ABLE TO PROVIDE THEM.

OUR ECONOMIC AND FOOD ASSISTANCE AND MILITARY ASSISTANCE PROGRAMS TO INDONESIA MUST BE VIEWED WITH THIS IN MIND AND WE MUST FIND WAYS TO ASSURE THEIR CONTINUITY. FOR EXAMPLE, OUR PL 480 PROGRAM IS A CONTINUING REQUIREMENT FOR CONDUCTING CLOSE AND MUTUALLY REINFORCING RELATIONS WITH COUNTRIES LIKE INDONESIA AND MALAYSIA. IF WORLD DEMAND CONTINUES TO ELIMINATE THE SURPLUSES NEEDED FOR CONTINUATION OF THESE PROGRAMS, NEW LEGISLATION IS REQUIRED WHICH WOULD ALLOCATE A PORTION OF OUR PRODUCTION TO THE TRADITIONAL USES OF PL 480, REGARDLESS OF MARKET FORCES. WE MUST ALSO EXPLORE NEW METHODS OF CONCESSIONAL FINANCING FOR LARGE DEVELOPMENT PROJECTS, PARTIK)-4)6 8, 5#3 NATURAL RESOURCES AREA, IN WHICH THE U.S. HAS A STRATEGIC INTEREST; AND WE SHOULD INVESTIGATE OTHER TECHNIQUES TO ENCOURAGE U..S. PARTICIPATION IN THESE PROJECTS AND THE RAW MATERIALS THEY PRODUCE.

9. IN ADDITIONAL TO PROVIDING MATERIALS SUPPORT FOR DEVELOPMENT OF SUCH NATIONS AS INDONESIA AND MALAYSIA WHICH HAVE SOME STRATEGIC IMPORTANCE TO THE U.S., WE MUST STRIVE TO IMPROVE THE TONE AND STYLE OF OUR ECONOMIC DIPLOMACY. IN THIS CONNECTION, GREATER EFFORTS ARE NEEDED TO PERSUADE THEM THAT WE ACCEPT THEM AS EQUALS IN AN INTERDEPENDENT RELATIONSHIP AND THAT WE TAKE THEIR VIEWS SERIOUSLY IN SUCH MATTERS AS INTERNATIONAL TRADE AND MONETARY AFFAIRS. SUCH EFFORTS ARE ESSENTIAL TO DISPEL THE HARMFUL IMAGE OF A WORLD IN WHICH THE U.S. AND OTHER RICH NATIONS ARE ALIGNED AGAINST OR INDIFFERENT TO THE LDC'S.

10. WE HAVE BEEN FAVORABLY IMPRESSED BY THE PROGRESS MADE IN ALL THREE COUNTRIES REGARDING THE INTERNATIONAL DRUG PROBLEM. EACH COUNTRY HAS STRENGTHENED ITS ANTI-NARCOTICS MACHINERY, AND ALL HAVE PARTICIPATED IN PRODUCTIVE REGIONAL DISCUSSIONS, RECENTLY IN THE ASEAN CONTEXT. WE WILL CONTINUE TO ENCOURAGE THESE EFFORTS. IN DEALING WITH DRUG ABUSE IN THE AMERICAN COMMUNITY, EMBASSIES HAVE ESTABLISHED COMMUNITY ACTION PROGRAMS. THE EMBASSY IN SINGAPORE IS IMPLEMENTING THE MOST COMPREHENSIVE PROGRAM FOR PREVENTING, IDENTIFYING AND

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DEALING WITH DRUG ABUSE THROUGH COUNSELLING AND THERAPY. THE SINGAPORE PROGRAM CAN SERVE AS A PATTERN FOR EXPANDED PROGRAMS IN THE AMERICAN COMMUNITIES IN KUALA LUMPUR AND JAKARTA. IN THE MEANTIME, WE SHOULD EXPLORE THE POSSIBILITY OF USING SINGAPORE'S RESOURCES AS A REGIONAL CENTER FOR COUNSELLING AND TREATING INDIVIDUAL CASES, BEARING IN MIND THAT USG FINANCIAL SUPPORT WOULD BE NECESSARY FOR THIS ENDEAVOR.

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